

POWERFUL SOLUTIONS

For maximum F&I profitability

Depreciation

"I'll Share with you a way to save thousands, in depreciation expenses, and still finance your new vehicle conventionally! Sound good?"

If we aren't asking this question of our guests, when they present a host of various objections, we may be missing an opportunity to educate. Have you ever heard the objection (after your menu presentation), "If the car gives me any trouble, after three years, I'll just trade it in." Not only could we consider the following in response to this, but, in fact, as a follow-up to many standard rebuttals.

Gravity is the law and math is math. I'll explain...

Notwithstanding the occasional exception, I think we could all agree the average new vehicle will probably depreciate at least approximately 50% in three years and 75% in six years. (We've all seen the steep angle depreciation curves explained related to GAP presentations and the premise here is no different.) Additionally, for the purposes of our discussion, let's use 8% as the sales tax rate.

If the new vehicle purchase price is \$50,000, our guest is left with \$25,000 after three years. They trade it in for a replacement, not unlike the original in price, after three years. Sales tax on the \$25,000 difference is \$2000. They have therefore spent \$52,000 in a six year trade cycle! Folks DO trade vehicles in early, after all, that begin to show signs of trouble.

By comparison, however, we are now able to explain that purchasing a \$3500 vehicle service contract will save them \$11,000. Here's how...

If the same \$50,000 vehicle depreciates 75% after six years, our guest is left with a vehicle worth \$12,500. As a result of our educational efforts, the same guest invested in a \$3500 VSC covering them for six years. They have spent \$41,000 to get to the same break-even point after the same six year trade cycle. You have saved them \$11,000!

If the new vehicle being purchased is \$40,000 (all other criteria being the same) the savings will be \$8100. With a \$30,000 vehicle, the savings will be \$5,200. With a \$20,000 vehicle, the savings will be \$2,300. Obviously the numbers shrink as the new vehicle price decreases. Anymore, however, it would seem as though we are processing more new vehicle deals for \$40,000 than \$20,000. Not that saving \$2,300, in six years, should be diminished.

Of course, as always, write the figures down so as to cater to our visual learners, as well as those who are auditory. I recommend writing the first sequence (titled "Car AS IS") with the second sequence to the right of that (titled "Protected by VSC"). Side by side vertical math calculations are clear, concise, and easy to follow. The math is the math!

Of course, as always, this is not to try and convert our traditional three year trade cycle consumer into that of a six year. That would hurt the efforts of the front-end and we're all in this together. We do, however, owe it to the rest of our guests to point out these laws of math. After all, as your guest has said, "If it starts giving me trouble, I'll just trade it in." They will, but probably somewhere other than your store because they are now unhappy.

Remember, "results have shown that our happiest customers are those who don't pay for ANY of their repairs, for ALL covered PARTS and LABOR, less their deductible!" Plus, you're such a nice person, I'm sure you'll offer them a disappearing deductible. "And in your case, folks, there isn't even a deductible, providing you come back to our shop!!!"

You have also, now, supported your shop, and given the Service Department the opportunity to win the guest over further. All with the goal, in mind, toward securing future sales.



Give it a try.

Good luck and good selling!



Partnership + Performance = Profit